

**Summary of the District's Financial Impact  
of Chapter 313 Agreement  
with Miami Wind I, LLC**

Prepared by  
**Randy McDowell, RTSBA**  
**&**  
**Neal Brown**  
**School Finance Consultants**

**Summary of Fort Elliott CISD Financial Impact  
of the  
Limited Appraised Value Application  
from  
Miami Wind I, LLC**

**Introduction**

Miami Wind I, LLC applied for a property value limitation from Fort Elliott Consolidated Independent School District under Chapter 313 of the Tax Code. The application was submitted on July 29, 2013 and subsequently approved for consideration by the Fort Elliott CISD Board of Trustees. Miami Wind I, LLC (“Miami Wind”), is requesting the property value limitation as a “renewable energy electric generation” project as listed in Sec. 313.024.(b) of the Tax Code.

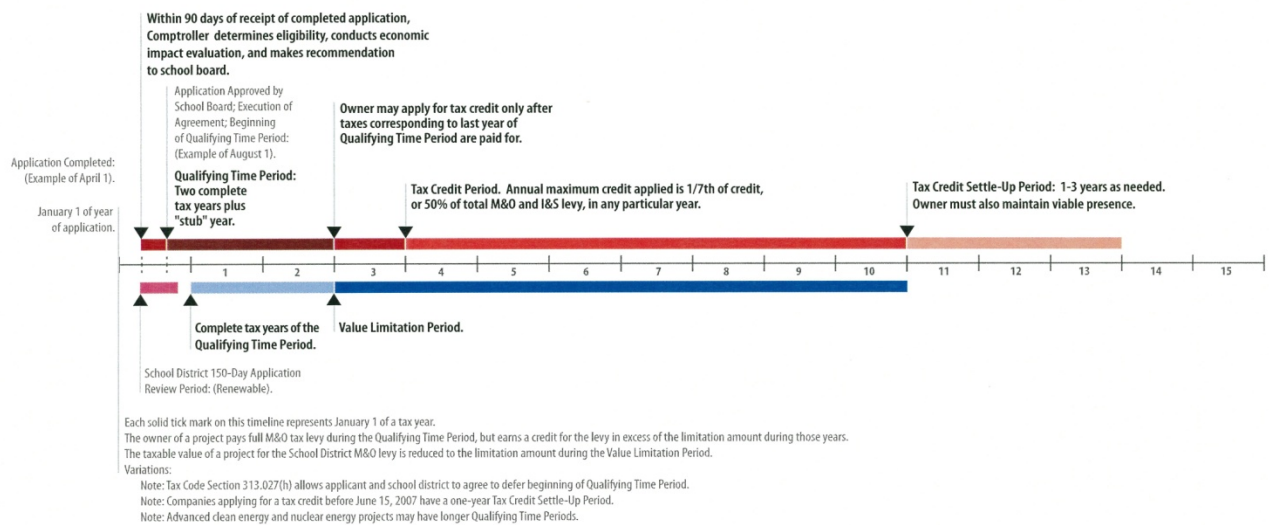
“The Economic Development Act “, Tax Code Chapter 313, was created by House Bill 1200 of the 77<sup>th</sup> Texas Legislature in 2001. Further amendments were made to Chapter 313 as a result of House Bill 1470 from the 80<sup>th</sup> Texas Legislative Session in 2007.

The Economic Development Act was created to attract qualifying businesses to Texas by allowing school districts the option of approving a property value limitation to these qualifying entities. The purpose of the property value limitation is to reduce the maintenance and operations taxes paid by the company, to a school district during the applicable years as displayed below.

# Fort Elliott CISD Financial Impact of Chapter 313 Agreement

## Appraised Value Limitation and Credit under Tax Code

### Chapter 313 for School District Maintenance & Operations (M&O) Tax



The company must file an application with the school district to qualify for consideration of a Limited Appraised Value Agreement ("LAVA" or "Agreement") to begin the following tax year or a later year if agreed upon by the District and the Company. The first two years of the agreement are considered the qualifying time period and the company's school district taxes will be levied at one-hundred percent of the appraised value. The applicant may then file a separate application with the school district to request tax credits (for taxes paid during the qualifying time period) to be applied during years four through ten of the LAVA, but not to exceed 50% of their tax levy for those years. Any tax credit balance remaining after this period can then be applied during years eleven through thirteen of the agreement, but cannot exceed the actual amount of taxes paid to the school district during the Settle-Up Period. After year thirteen, any leftover credits will not be applied and will expire.

During years three through ten of the LAVA, the qualifying entity's taxable value will be reduced to the minimum qualified investment for the applicable school district as determined by the State Comptroller's Office. Fort Elliott CISD is considered a Rural category 2 District as categorized with total taxable value of industrial property of at least \$90 million but less than \$200 million, thus Fort Elliott

## Fort Elliott CISD Financial Impact of Chapter 313 Agreement

CISD has a minimum qualified investment amount of \$20 million. A qualifying entity's taxable value would be reduced to \$20 million during years three through ten of the agreement for the purposes of computing the tax levy for the maintenance and operations (M&O) tax of Fort Elliott CISD. The entire appraised value will be used for computing the interest and sinking (I&S) tax levy.

### Taxable Value Impact from LAVA

The "Additional Value from Miami Wind" represents the values that the company estimated as their taxable values in the application that was filed with the district. During years three through ten, the company's taxable value will be limited to the \$20,000,000 minimum qualified investment of Fort Elliott CISD.

**TABLE I- Calculation of Taxable Value:**

<b>Tax Year</b>	<b>Additional Value From Miami Wind</b>	<b>Minimum Qualified Investment</b>	<b>Abated Value</b>	<b>Taxable Value</b>
<b>Jan. 1, 2014</b>	3,012,048	n/a	0	3,012,048
<b>Jan. 1, 2015</b>	123,124,371	n/a	0	123,124,371
<b>Jan. 1, 2016</b>	115,736,909	(20,000,000)	95,736,909	20,000,000
<b>Jan. 1, 2017</b>	108,792,694	(20,000,000)	88,792,694	20,000,000
<b>Jan. 1, 2018</b>	102,265,133	(20,000,000)	82,265,133	20,000,000
<b>Jan. 1, 2019</b>	96,129,225	(20,000,000)	76,129,225	20,000,000
<b>Jan. 1, 2020</b>	90,361,471	(20,000,000)	70,361,471	20,000,000
<b>Jan. 1, 2021</b>	84,939,783	(20,000,000)	64,939,783	20,000,000
<b>Jan. 1, 2022</b>	79,843,396	(20,000,000)	59,843,396	20,000,000
<b>Jan. 1, 2023</b>	75,052,792	(20,000,000)	55,052,792	20,000,000
<b>Jan. 1, 2024</b>	70,549,625	n/a	0	70,549,625
<b>Jan. 1, 2025</b>	66,316,647	n/a	0	66,316,647
<b>Jan. 1, 2026</b>	62,337,648	n/a	0	62,337,648

# Fort Elliott CISD Financial Impact of Chapter 313 Agreement

## Miami Wind's Tax Benefit from Agreement

The projected amount of the net tax savings for Miami Wind is \$5.230 million over the life of the Agreement. This net savings is after all tax credits have been applied and after estimated payments have been made to the district to offset their revenue losses that were a direct result of entering into this Agreement. Tax credits during years four through ten are limited to the lesser of 1/7 of the total tax credit or 50% of the total taxes paid for that tax year. Any tax credits not refunded to the company during those years will be refunded up to 100% of the taxes paid in years eleven through thirteen.

Fort Elliott CISD's projected tax rates for maintenance & operations (M&O) and interest & sinking (I&S) are based on the following assumptions:

- The District has held a tax ratification election and the study projects that it will maintain an M&O tax rate of \$.8067 for the life of this agreement.
- The district currently has outstanding bonded indebtedness that are scheduled to payoff in 2014 and currently has a \$.0664 I&S rate. Since the bonds are scheduled to payoff prior to 2014-2015, they are not reflected in this study for tax credit calculations. The district could pursue a bond election and issue additional bonded debt during the life of this agreement.

**TABLE II- Computation of Net Tax Savings:**

Fiscal Year	Projected M&O Tax Rate	Projected I&S Tax Rate	Taxes w/o Agreement	Tax Savings with Agreement	Tax Credits	Payment of District's Revenue Losses	Net Tax Savings
2014-2015	0.8067	0.061	24,298	0	n/a	0	0
2015-2016	0.8067	0.056	993,244	0	n/a	0	0
2016-2017	0.8067	0.000	933,650	772,310	n/a	(56,293)	716,016
2017-2018	0.8067	0.000	877,631	716,291	80,670	(59,002)	737,959
2018-2019	0.8067	0.000	824,973	663,633	80,670	(54,625)	689,678
2019-2020	0.8067	0.000	775,474	614,134	80,670	(50,496)	644,308
2020-2021	0.8067	0.000	728,946	567,606	80,670	(46,622)	601,654
2021-2022	0.8067	0.000	685,209	523,869	80,670	(42,986)	561,554
2022-2023	0.8067	0.000	644,097	482,757	80,670	(39,574)	523,853
2023-2024	0.8067	0.000	605,451	444,111	80,670	(36,352)	488,429
2024-2025	0.8067	0.000	569,124	0	267,214	0	267,214
2025-2026	0.8067	0.000	534,976	0	0	0	0
2026-2027	0.8067	0.000	502,878	0	0	0	0
<b>Totals</b>			<b>8,699,951</b>	<b>4,784,710</b>	<b>831,904</b>	<b>(385,949)</b>	<b>5,230,665</b>

# Fort Elliott CISD Financial Impact of Chapter 313 Agreement

---

## Financial Impact Study

This Financial Impact Study was performed to determine the financial impact of the Limited Appraised Value Agreement on Fort Elliott CISD. First, a thirteen year financial forecast was prepared to establish a baseline without the added values of the renewable energy electric generation company. Second, a thirteen year financial forecast was prepared that incorporated the additional taxable value of the company without a LAVA in effect. Third, a thirteen year financial forecast was prepared that incorporates the additional taxable value of the company with an approved LAVA. These three forecasts are detailed in the “Calculation of LAVA Impact on District’s Finances” section. The following assumptions were used to compare the financial impact of the LAVA:

- The current state funding formulas (in effect for 2013-2014 fiscal year) were used for state aid and recapture calculation purposes
  - Level 2 of Tier II yield - \$61.86 per weighted student in average daily attendance (WADA) per penny of tax effort
- The district’s tax rate for maintenance & operations (M&O) will remain at the same rate as for tax year 2012.
- A tax collection rate of 100% on current year tax levy with no projected delinquent taxes
- An annual taxable value increase of 1.5% was used to project the district’s taxable value, except as it related to the requested LAVA. The district’s 2012 taxable value was used as a baseline for all projections
- The district’s enrollment is projected to increase slightly; therefore, the projected ADA and WADA for school year 2012-2013 was increased by .5% per year for the life of the agreement.

Although these assumptions were used to develop a baseline scenario for comparison purposes, many of these factors will not remain constant for the thirteen years of this proposed agreement. Also, Legislative changes to the school finance formulas are likely during the near future and almost certain during the life of this agreement.

# Fort Elliott CISD Financial Impact of Chapter 313 Agreement

## Calculation of LAVA Impact on District's Finances

The tables displayed below (Table III, IV, V) show the different impacts on the school district's finances. These scenarios were computed to compare the District's revenue without the additional taxable value of Miami Wind (Table III), the addition of Miami Wind's taxable values without a Chapter 313 Agreement (Table IV), and the addition of Miami Wind's taxable values with a Chapter 313 Agreement (Table V).

**TABLE III – District Revenues *without* Miami Wind:**

Fiscal Year	Total Taxable Value	M&O Taxes			Tier I Total Revenue	Revenue Above Comp Rate	Total District Revenue
		Compressed Rate	State Revenue	Recapture Amount			
2014-2015	1,722,691,972	12,863,341	1,263,748	11,757,733	2,369,356	1,013,687	3,383,042
2015-2016	1,748,532,352	13,056,291	1,270,066	11,945,155	2,381,203	1,028,881	3,410,083
2016-2017	1,774,760,337	13,252,135	1,276,417	12,135,443	2,393,109	1,044,303	3,437,411
2017-2018	1,801,381,742	13,450,917	733,216	12,328,642	1,855,491	1,059,956	2,915,447
2018-2019	1,828,402,468	13,652,681	735,967	12,524,794	1,863,854	1,075,844	2,939,698
2019-2020	1,855,828,505	13,857,471	743,621	12,723,945	1,877,147	1,091,971	2,969,118
2020-2021	1,883,665,933	14,065,334	745,950	12,926,140	1,885,144	1,108,339	2,993,483
2021-2022	1,911,920,922	14,276,314	754,108	13,131,424	1,898,998	1,124,953	3,023,951
2022-2023	1,940,599,736	14,490,458	757,078	13,339,844	1,907,692	1,141,816	3,049,509
2023-2024	1,969,708,732	14,707,815	764,681	13,551,448	1,921,048	1,158,933	3,079,981
2024-2025	1,999,254,363	14,928,432	767,696	13,766,283	1,929,845	1,176,305	3,106,150
2025-2026	2,029,243,178	15,152,359	775,485	13,984,399	1,943,445	1,193,939	3,137,383
2026-2027	2,059,681,826	15,379,644	778,360	14,205,844	1,952,160	1,211,837	3,163,996

# Fort Elliott Cisd Financial Impact of Chapter 313 Agreement

**TABLE IV- District Revenues *with* Miami Wind *without* Chapter 313 Agreement:**

Fiscal Year	M&O Taxes				Revenue		
	Total Taxable	Compressed	State	Recapture	Tier I	Above	Total
	Value	Rate	Revenue	Amount	Total	Comp	District
					Revenue	Rate	Revenue
2014-2015	1,725,704,020	12,885,832	1,261,814	11,778,291	2,369,356	1,015,458	3,384,814
2015-2016	1,871,656,723	13,975,661	1,193,901	12,788,359	2,381,203	1,101,278	3,482,481
2016-2017	1,890,497,246	14,116,343	1,281,845	13,005,079	2,393,109	1,112,356	3,505,465
2017-2018	1,910,174,436	14,263,273	747,572	13,146,074	1,864,770	1,123,926	2,988,697
2018-2019	1,930,667,601	14,416,295	749,449	13,293,155	1,872,590	1,135,976	3,008,566
2019-2020	1,951,957,730	14,575,268	756,269	13,446,179	1,885,359	1,148,495	3,033,854
2020-2021	1,974,027,404	14,740,063	757,819	13,605,014	1,892,867	1,161,472	3,054,339
2021-2022	1,996,860,705	14,910,559	765,253	13,769,541	1,906,271	1,174,898	3,081,168
2022-2023	2,020,443,132	15,086,649	767,550	13,939,651	1,914,548	1,188,764	3,103,313
2023-2024	2,044,761,524	15,268,234	774,506	14,115,244	1,927,496	1,203,064	3,130,560
2024-2025	2,069,803,988	15,455,226	776,927	14,296,229	1,935,924	1,217,789	3,153,713
2025-2026	2,095,559,825	15,647,545	784,147	14,482,527	1,949,166	1,232,933	3,182,099
2026-2027	2,122,019,474	15,845,119	786,202	14,674,064	1,957,257	1,248,491	3,205,748

**TABLE V – District Revenues *with* Miami Wind *with* Chapter 313 Agreement:**

Fiscal Year	M&O Taxes				Revenue		Payment	Total District Revenue
	Total Taxable	Compressed	State	Recapture	Tier I	Above	for	
	Value	Rate	Revenue	Amount	Revenue	Comp	District Losses	
						Rate		
2014-2015	1,725,704,020	12,885,832	1,261,814	11,778,291	2,369,356	1,015,458	0	3,384,814
2015-2016	1,871,656,723	13,975,661	1,193,901	12,788,359	2,381,203	1,101,278	0	3,482,481
2016-2017	1,794,760,337	13,401,475	1,338,120	12,346,487	2,393,109	1,056,063	56,293	3,505,465
2017-2018	1,821,381,742	13,600,257	735,888	12,478,167	1,857,978	1,071,716	59,002	2,988,697
2018-2019	1,848,402,468	13,802,021	738,633	12,674,317	1,866,337	1,087,604	54,625	3,008,566
2019-2020	1,875,828,505	14,006,811	746,282	12,873,466	1,879,627	1,103,731	50,496	3,033,854
2020-2021	1,903,665,933	14,214,674	748,604	13,075,659	1,887,618	1,120,099	46,622	3,054,339
2021-2022	1,931,920,922	14,425,654	756,758	13,280,941	1,901,470	1,136,713	42,986	3,081,168
2022-2023	1,960,599,736	14,639,798	759,724	13,489,360	1,910,162	1,153,576	39,574	3,103,313
2023-2024	1,989,708,732	14,857,155	767,322	13,700,962	1,923,515	1,170,693	36,352	3,130,560
2024-2025	2,069,803,988	15,455,226	777,783	14,264,161	1,968,848	1,217,789	0	3,186,637
2025-2026	2,095,559,825	15,647,545	784,147	14,482,527	1,949,166	1,232,933	0	3,182,099
2026-2027	2,122,019,474	15,845,119	786,202	14,674,064	1,957,257	1,248,491	0	3,205,748



# Fort Elliott CISD Financial Impact of Chapter 313 Agreement

---

## Current School Finance Law

A major overhaul of the school finance formulas was implemented as a result of House Bill 1 of the 79<sup>th</sup> Legislative Session and became effective for the 2006-2007 school year. These formula changes have had an effect on the district's financial impact from granting a property value limitation. Due to the district's "Hold Harmless" provision that was enacted in the new funding formulas, it is presumed that the majority of the district's revenue losses in year three of the LAVA will be offset with additional state funding or a reduction of recapture payments made to the State. Prior to these recent formula changes, school districts felt a significant loss in revenues in year three because the state funding formulas considered the district more property wealthy based on their prior year taxable value. However, districts were only able to tax on the lower value that was a result of the LAVA. Districts are currently "held harmless" for the majority amount of loss in year three; however, it is possible that a future legislative session could eliminate this provision. If the "hold harmless" provision is eliminated, then the company would be required to offset the district's losses as computed in Article III of the Agreement.

## Fort Elliott CISD Financial Impact of Chapter 313 Agreement

### Payments in Lieu of Taxes

Assuming that the District and Miami Wind I, LLC mutually agree in the LAVA that \$100 per student in average daily attendance (ADA) will be paid to Fort Elliott CISD by Miami Wind, the projected amount of these payments over the life of the agreement is \$157,531 of the \$5.230 million net tax savings amount. This amount will be computed annually according to Section IV of the Agreement.

**TABLE VI - Calculation of the Payment in Lieu of Taxes:**

Fiscal Year	Net Tax Savings	Fort Elliott CISD Share \$100/ADA	Miami Wind's Share
2014-2015	0	11,759	(11,759)
2015-2016	0	11,817	(11,817)
2016-2017	716,016	11,876	704,140
2017-2018	737,959	11,936	726,023
2018-2019	689,678	11,995	677,682
2019-2020	644,308	12,055	632,253
2020-2021	601,654	12,116	589,539
2021-2022	561,554	12,176	549,377
2022-2023	523,853	12,237	511,616
2023-2024	488,429	12,298	476,130
2024-2025	267,214	12,360	254,854
2025-2026	0	12,422	(12,422)
2026-2027	0	12,484	(12,484)
Totals	5,230,665	157,531	5,073,134

# Fort Elliott CISD Financial Impact of Chapter 313 Agreement

---

## Impact of Projected Student Growth On District Facilities

**TABLE VII – Campus Capacity and Available Growth**

<b>Campus Name</b>	<b>Grade Level</b>	<b># of Regular Classrooms</b>	<b>Building Capacity</b>	<b>Current Enrollment</b>	<b>Enrollment Growth Available</b>
<b>Fort Elliott School</b>	Pre-K -12	23	414	145	269
<b>Total</b>		<b>23</b>	<b>414</b>	<b>145</b>	<b>269</b>

The building capacities are based on 18 students per classroom for all grade levels. Fort Elliott CISD is a pre-kindergarten through 12<sup>th</sup> grade district.

Miami Wind I, LLC provided supplemental information with their application that projected the number of full-time employees that are expected for permanent employment after construction of the project is completed. They projected that four full-time employees are expected. It is not known whether these would be new employees to the Fort Elliott CISD, or if current residents would occupy these positions; however, it is assumed that these employees would be new residents to the district.

Based on average statewide figures provided by a demographer, it is projected that each new household would produce .5 students. Thus, the new four positions equates to 2 new students.

This minimal projected student growth can easily be accommodated with the current facilities of Fort Elliott CISD as displayed in Table VII above.

# Fort Elliott CISD Financial Impact of Chapter 313 Agreement

---

## Conclusion

This Financial Impact Study displays that entering into a Limited Appraised Value Agreement with Miami Wind I, LLC, would be beneficial to both Miami Wind and Fort Elliott CISD under the current school finance system.

Miami Wind I, LLC would benefit from reduced property taxes during years three through ten of the LAVA. Although some of the tax savings would be used to offset district's revenue losses and payments in lieu of taxes to the District, Miami Wind is projected to benefit from a 79% tax savings over the first eleven year period of this agreement. Miami Wind also has the option of terminating the Agreement if the amount paid to the District during a tax year is greater than the amount of taxes that would have been paid without the agreement; therefore, there is no inherent risk for the company from entering into the Agreement.

Fort Elliott CISD would also have no inherent risk under the current school finance system and with the provisions in the LAVA that require Miami Wind to offset any district losses caused by the LAVA. An annual calculation will be performed each year to determine if a loss to the District has been incurred. The revenue impact to the District will be computed by comparing the District's revenues with and without the LAVA in effect.